

Sale of Livestock on Account of Drought

Cross References

- Notice 2020-74

An involuntary conversion occurs when property is destroyed, stolen, condemned, or disposed of under a threat of condemnation, and the taxpayer receives other property, or money, in payment for the property, such as insurance proceeds or a condemnation award. The involuntary conversion is treated as a sale or exchange. Gain or loss is the difference between the net payment received and the adjusted basis of the converted property.

Gain from an involuntary conversion is postponed if the taxpayer receives or purchases replacement property within a specified replacement period. There is a special rule for livestock sold under weather-related conditions in an area designated as eligible for assistance by the federal government. IRC section 1033(e)(2)(A) states that the replacement period ends four years after the close of the first taxable year in which any part of the gain from the conversion is realized. IRC section 1033(e)(2)(B) states that the IRS may extend this replacement period on a regional basis if the IRS determines weather-related conditions continue to affect a region for more than three years. Thus, if a sale or exchange on account of drought qualifies for this special rule, the 4-year replacement period can be extended. The IRS issued Notice 2006-82 which states for this purpose, the first drought-free year for the applicable region is the first 12-month period that:

- 1) Ends August 31,
- 2) Ends in or after the last year of the taxpayer's 4-year replacement period, and
- 3) Does not include any weekly period for which exceptional, extreme, or severe drought is reported for any location in the applicable region.

Notice 2006-82 also states the IRS will publish in September of each year a list of counties, boroughs, census areas, islands, municipalities, or parishes for which exceptional, extreme, or severe drought was reported during the preceding 12 months. Taxpayers may use this list to determine whether exceptional, extreme, or severe drought has been reported for any location in the applicable region.

Notice 2020-74 states the 12-month period ending August 31, 2020 is not a drought-free year for the following applicable regions listed below. Accordingly, for a taxpayer who qualified for a 4-year replacement period for livestock sold or exchanged on account of drought and whose replacement period is scheduled to expire at the end of 2020 (or, in the case of a fiscal year taxpayer, at the end of the fiscal year that includes August 31, 2020), the replacement period is extended if the applicable region includes any of the following regions listed below. This extension will continue until the end of the first taxable year ending after a drought-free year for the applicable region.

Alabama

Counties of Autauga, Baldwin, Barbour, Bibb, Bullock, Butler, Chambers, Cherokee, Chilton, Clay, Coffee, Conecuh, Coosa, Covington, Crenshaw, Dale, Dallas, DeKalb, Elmore, Escambia, Geneva, Henry, Houston, Jackson, Jefferson, Lee, Limestone, Lowndes, Macon, Madison, Marshall, Mobile, Montgomery, Pike, Randolph, Russell, Shelby, Talladega, and Tallapoosa.

Alaska

Municipality of Anchorage. Boroughs of Kenai Peninsula, Ketchikan Gateway, Kodiak Island, Lake and Peninsula, and Matanuska-Susitna. Census Areas of Prince of Wales-Outer Ketchikan, Valdez-Cordova, and Wrangell-Petersburg.

Arizona

Counties of Apache, Cochise, Coconino, Gila, Graham, Greenlee, La Paz, Maricopa, Mohave, Navajo, Pima, Pinal, Santa Cruz, and Yavapai.

Arkansas

Counties of Ashley, Bradley, Calhoun, Columbia, Lafayette, Miller, Nevada, Ouachita, and Union.

California

Counties of Alameda, Butte, Colusa, Contra Costa, Del Norte, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Bernardino, San Francisco, San Joaquin, San Mateo, Santa Clara, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba.

Colorado

Counties of Adams, Alamosa, Arapahoe, Archuleta, Baca, Bent, Boulder, Broomfield, Chaffee, Cheyenne, Clear Creek, Conejos, Costilla, Crowley, Custer, Delta, Denver, Dolores, Douglas, Eagle, Elbert, El Paso, Fremont, Garfield, Gilpin, Grand, Gunnison, Hinsdale, Huerfano, Jackson, Jefferson, Kiowa, Kit Carson, Lake, La Plata, Larimer, Las Animas, Lincoln, Logan, Mesa, Mineral, Moffat, Montezuma, Montrose, Morgan, Otero, Ouray, Park, Phillips, Pitkin, Prowers, Pueblo, Rio Blanco, Rio Grande, Routt, Saguache, San Juan, San Miguel, Sedgwick, Summit, Teller, Washington, Weld, and Yuma.

Connecticut

Counties of Hartford, Litchfield, Middlesex, New Haven, New London, Tolland, and Windham.

Delaware

Counties of Kent and New Castle.

District of Columbia

District of Columbia.

Florida

Counties of Alachua, Baker, Bay, Bradford, Broward, Calhoun, Charlotte, Citrus, Clay, Collier, Columbia, Duval, Escambia, Flagler, Franklin, Gadsden, Glades, Gulf, Hamilton, Hardee, Hendry, Hernando, Hillsborough, Holmes, Jackson, Jefferson, Lake, Lee, Leon, Levy, Liberty, Madison, Manatee, Marion, Miami-Dade, Monroe, Nassau, Okaloosa, Orange, Pasco, Pinellas, Polk, Putnam, Saint Johns, Santa Rosa, Sarasota, Seminole, Sumter, Suwannee, Taylor, Union, Volusia, Wakulla, Walton, and Washington.

Georgia

Counties of Appling, Atkinson, Bacon, Baker, Baldwin, Banks, Barrow, Bartow, Ben Hill, Berrien, Bibb, Bleckley, Brantley, Brooks, Bryan, Bulloch, Burke, Butts, Calhoun, Camden, Candler, Carroll, Catoosa, Charlton, Chatham, Chattahoochee, Chattooga, Cherokee, Clarke, Clay, Clayton, Clinch, Cobb, Coffee, Colquitt, Columbia, Cook, Coweta, Crawford, Crisp, Dade, Dawson, Decatur, DeKalb, Dodge, Dooly, Dougherty, Douglas, Early, Echols, Effingham, Elbert, Evans, Fannin, Fayette, Floyd, Forsyth, Franklin, Fulton, Gilmer, Glascock, Gordon, Grady, Greene, Gwinnett, Habersham, Hall, Hancock, Harris, Hart, Heard, Henry, Houston, Irwin, Jackson, Jasper, Jeff Davis, Jefferson, Jenkins, Johnson, Jones, Lamar, Lanier, Laurens, Lee, Liberty, Lincoln, Long, Lowndes, Lumpkin, McDuffie, Macon, Madison, Marion, Meriwether, Miller, Mitchell, Monroe, Montgomery, Morgan, Murray, Muscogee, Newton, Oconee, Oglethorpe, Paulding, Peach, Pickens, Pierce, Pike, Polk, Pulaski, Putnam, Quitman, Rabun, Randolph, Rockdale, Schley, Screven, Seminole, Spalding, Stephens, Stewart, Sumter, Talbot, Taliaferro, Tattnall, Taylor, Telfair, Terrell, Thomas, Tift, Toombs, Towns, Treutlen, Troup, Turner, Twiggs, Union, Upson, Walker, Walton, Ware, Warren, Washington, Wayne, Webster, Wheeler, White,

Whitfield, Wilcox, Wilkes, Wilkinson, and Worth.

Hawaii

Counties of Hawaii, Kalawao, and Maui.

Idaho

Counties of Blaine, Butte, Camas, and Custer.

Illinois

Counties of Gallatin, Hardin, and White.

Indiana

Counties of Clark, Crawford, Dubois, Floyd, Harrison, Jefferson, Perry, Posey, Scott, Spencer, Switzerland, Vanderburgh, and Warrick.

Iowa

Counties of Adair, Adams, Audubon, Benton, Boone, Buena Vista, Calhoun, Carroll, Cass, Cherokee, Clay, Crawford, Dallas, Emmet, Franklin, Greene, Grundy, Guthrie, Hamilton, Hardin, Harrison, Humboldt, Ida, Iowa, Jasper, Keokuk, Kossuth, Lyon, Madison, Mahaska, Marshall, Mills, Monona, Montgomery, O'Brien, Palo Alto, Plymouth, Pocahontas, Polk, Pottawattamie, Poweshiek, Sac, Shelby, Sioux, Story, Tama, Warren, Webster, Woodbury, and Wright.

Kansas

Counties of Cheyenne, Clark, Ellis, Finney, Gove, Grant, Gray, Greeley, Hamilton, Harvey, Haskell, Hodgeman, Kearny, Kingman, Lane, Logan, McPherson, Marion, Meade, Morton, Ness, Pawnee, Rawlins, Reno, Rush, Scott, Sedgwick, Seward, Sherman, Stanton, Stevens, Trego, Wallace, and Wichita.

Kentucky

Counties of Adair, Barren, Bell, Bourbon, Boyle, Breathitt, Breckinridge, Bullitt, Butler, Carroll, Casey, Christian, Clark, Clay, Clinton, Crittenden, Cumberland, Daviess, Edmonson, Estill, Fayette, Floyd, Gallatin, Garrard, Grayson, Green, Hancock, Hardin, Harlan, Hart, Henderson, Henry, Hopkins, Jackson, Jefferson, Jessamine, Johnson, Knott, Knox, Larue, Laurel, Lawrence, Lee, Leslie, Letcher, Lincoln, Logan, McCreary, McLean, Madison, Magoffin, Marion, Martin, Meade, Menifee, Mercer, Metcalfe, Monroe, Morgan, Muhlenberg, Nelson, Ohio, Oldham, Owen, Owsley, Perry, Pike, Powell, Pulaski, Rockcastle, Russell, Scott, Shelby, Taylor, Todd,

Trimble, Union, Warren, Washington, Wayne, Webster, Whitley, Wolfe, and Woodford.

Louisiana

Parishes of Assumption, Avoyelles, Bienville, Bossier, Caddo, Caldwell, Catahoula, Claiborne, Concordia, Franklin, Jefferson, Lafourche, La Salle, Madison, Plaquemines, Rapides, Richland, Saint Bernard, Saint Charles, Saint James, Saint John the Baptist, Saint Tammany, Tensas, Terrebonne, Union, and Webster.

Maine

Counties of Aroostook, Penobscot, Piscataquis, Somerset, Washington, and York.

Maryland

City of Baltimore. Counties of Anne Arundel, Baltimore, Calvert, Caroline, Carroll, Cecil, Charles, Dorchester, Harford, Howard, Kent, Montgomery, Prince George's, Queen Anne's, Saint Mary's, and Talbot.

Massachusetts

Counties of Barnstable, Berkshire, Bristol, Dukes, Essex, Hampden, Middlesex, Nantucket, Norfolk, Plymouth, and Worcester.

Minnesota

Counties of Aitkin, Carlton, Cass, Crow Wing, Itasca, Lake, and Saint Louis.

Mississippi

Counties of Adams, Claiborne, George, Hancock, Harrison, Jackson, Jefferson, and Stone.

Missouri

Counties of Christian, Douglas, Greene, Lawrence, Stone, and Webster.

Montana

Counties of Beaverhead, Broadwater, Gallatin, Jefferson, Madison, and Powder River.

Nebraska

Counties of Adams, Arthur, Banner, Box Butte, Buffalo, Burt, Cass, Cheyenne, Clay, Colfax, Cuming, Dakota, Dawes, Deuel, Dodge, Douglas, Dundy, Garden, Grant, Hall, Hitchcock, Kearney, Keith, Kimball, Madison, Morrill, Perkins, Phelps, Pierce, Platte, Sarpy, Saunders, Scotts Bluff, Sheridan, Sioux, Stanton, Thurston, Washington, and Wayne.

Nevada

Counties of Churchill, Clark, Douglas, Elko, Esmeralda, Eureka, Humboldt, Lander, Lincoln, Lyon, Mineral, Nye, Pershing, Storey, Washoe, and White Pine.

New Hampshire

Counties of Belknap, Carroll, Grafton, Hillsborough, Merrimack, Rockingham, Strafford, and Sullivan.

New Jersey

County of Salem.

New Mexico

Counties of Bernalillo, Catron, Chaves, Cibola, Colfax, Curry, DeBaca, Dona Ana, Eddy, Grant, Guadalupe, Harding, Hidalgo, Lea, Lincoln, Los Alamos, Luna, McKinley, Mora, Otero, Quay, Rio Arriba, Roosevelt, Sandoval, San Juan, San Miguel, Santa Fe, Sierra, Taos, Torrance, Union, and Valencia.

New York

Counties of Franklin and Saint Lawrence.

North Carolina

Counties of Alexander, Avery, Burke, Caldwell, Catawba, Cherokee, Clay, Cleveland, Davie, Forsyth, Gaston, Graham, Granville, Haywood, Henderson, Iredell, Jackson, Lincoln, Macon, Madison, Mecklenburg, Mitchell, Person, Polk, Rowan, Stokes, Surry, Union, Vance, Warren, Watauga, Wilkes, Yadkin, and Yancey.

North Dakota

Counties of Benson, Burleigh, Morton, Oliver, and Pierce.

Oklahoma

Counties of Alfalfa, Atoka, Beaver, Beckham, Blaine, Caddo, Choctaw, Cimarron, Comanche, Cotton, Creek, Custer, Dewey, Ellis, Garfield, Grady, Grant, Greer, Harmon, Harper, Jackson, Jefferson, Kay, Kingfisher, Kiowa, Lincoln, Logan, McCurtain, Major, Noble, Osage, Pawnee, Payne, Pushmataha, Roger Mills, Stephens, Texas, Tillman, Tulsa, Washita, and Woodward.

Oregon

Counties of Benton, Clackamas, Columbia, Coos, Crook, Curry, Deschutes, Douglas, Gilliam, Grant, Harney, Jackson, Jefferson, Josephine, Klamath, Lake, Lane, Lincoln, Linn, Malheur, Marion, Morrow, Multnomah,

Polk, Sherman, Umatilla, Wasco, Washington, Wheeler, and Yamhill.

Rhode Island

Counties of Bristol, Kent, Newport, Providence, and Washington.

South Carolina

Counties of Abbeville, Aiken, Allendale, Anderson, Bamberg, Barnwell, Calhoun, Cherokee, Chester, Colleton, Dorchester, Fairfield, Greenville, Greenwood, Hampton, Jasper, Kershaw, Lancaster, Laurens, Lexington, McCormick, Oconee, Orangeburg, Pickens, Richland, Spartanburg, Sumter, Union, and York.

South Dakota

Counties of Bennett, Fall River, Lincoln, Oglala Lakota, and Union.

Tennessee

Counties of Anderson, Bledsoe, Bradley, Campbell, Cannon, Carter, Cheatham, Claiborne, Clay, Cocke, Cumberland, Davidson, DeKalb, Dickson, Franklin, Giles, Greene, Grundy, Hamblen, Hamilton, Hickman, Jefferson, Johnson, Lincoln, Loudon, McMinn, Marion, Marshall, Maury, Meigs, Monroe, Morgan, Pickett, Polk, Putnam, Rhea, Roane, Rutherford, Scott, Sequatchie, Sullivan, Unicoi, Van Buren, Warren, Washington, White, Williamson, and Wilson.

Texas

Counties of Anderson, Andrews, Aransas, Archer, Armstrong, Atascosa, Austin, Bailey, Bandera, Bastrop, Baylor, Bee, Bell, Bexar, Blanco, Borden, Bosque, Bowie, Brazoria, Brazos, Brewster, Briscoe, Brooks, Brown, Burleson, Burnet, Caldwell, Calhoun, Callahan, Cameron, Camp, Carson, Cass, Castro, Cherokee, Childress, Clay, Cochran, Coke, Coleman, Collin, Collingsworth, Colorado, Comal, Comanche, Concho, Coryell, Cottle, Crane, Crockett, Crosby, Culberson, Dallam, Dallas, Dawson, Deaf Smith, Denton, DeWitt, Dickens, Dimmit, Donley, Duval, Eastland, Ector, Edwards, Ellis, Erath, Falls, Fayette, Fisher, Floyd, Foard, Fort Bend, Franklin, Freestone, Frio, Gaines, Galveston, Garza, Gillespie, Glasscock, Goliad, Gonzales, Gray, Gregg, Grimes, Guadalupe, Hale, Hall, Hansford, Hardeman, Harris, Harrison, Hartley, Haskell, Hays, Hemphill, Henderson,

Hidalgo, Hill, Hockley, Hood, Houston, Howard, Hudspeth, Hunt, Hutchinson, Irion, Jack, Jackson, Jeff Davis, Jim Hogg, Jim Wells, Johnson, Jones, Karnes, Kaufman, Kendall, Kenedy, Kent, Kerr, Kimble, King, Kinney, Kleberg, Knox, Lamb, Lampasas, La Salle, Lavaca, Lee, Leon, Liberty, Limestone, Lipscomb, Live Oak, Llano, Loving, Lubbock, Lynn, McCulloch, McLennan, McMullen, Madison, Marion, Martin, Mason, Matagorda, Maverick, Medina, Menard, Midland, Milam, Mills, Mitchell, Moore, Morris, Motley, Nacogdoches, Navarro, Nolan, Nueces, Ochiltrie, Oldham, Palo Pinto, Parker, Parmer, Pecos, Potter, Presidio, Rains, Randall, Reagan, Real, Red River, Reeves, Refugio, Roberts, Robertson, Rockwall, Runnels, Rusk, San Patricio, San Saba, Schleicher, Scurry, Shackelford, Sherman, Smith, Somervell, Starr, Stephens, Sterling, Stonewall, Sutton, Swisher, Tarrant, Taylor, Terrell, Terry, Throckmorton, Titus, Tom Green, Travis, Trinity, Upshur, Upton, Uvalde, Val Verde, Van Zandt, Victoria, Walker, Waller, Ward, Washington, Webb, Wharton, Wheeler, Wichita, Wilbarger, Willacy, Williamson, Wilson, Winkler, Wise, Wood, Yoakum, Young, Zapata, and Zavala.

Utah

Counties of Beaver, Box Elder, Cache, Carbon, Daggett, Davis, Duchesne, Emery, Garfield, Grand, Iron, Juab, Kane, Millard, Morgan, Piute, Rich, Salt Lake, San Juan, Sanpete, Sevier, Summit, Tooele, Uintah, Utah, Wasatch, Washington, Wayne, and Weber.

Virginia

Cities of Alexandria, Bedford, Buena Vista, Fairfax, Falls Church, Richmond, and Roanoke. Counties of Alleghany, Amelia, Amherst, Arlington, Bath, Bedford, Bland, Botetourt, Buchanan, Buckingham, Caroline, Charlotte, Chesterfield, Craig, Culpeper, Cumberland, Dickenson, Dinwiddie, Fairfax, Fauquier, Floyd, Franklin, Giles, Goochland, Halifax, Hanover, Henrico, Henry, Lee, Loudoun, Louisa, Mecklenburg, Nottoway, Orange, Patrick, Powhatan, Prince Edward, Prince William, Pulaski, Roanoke, Rockbridge, Spotsylvania, Stafford, Tazewell, Wise, and Wythe.

Washington

Counties of Adams, Benton, Chelan, Clallam, Clark, Cowlitz, Douglas, Franklin, Grant, Grays Harbor, Jefferson, King, Kittitas, Klickitat, Lewis, Mason, Okanogan, Pacific, Pierce,

San Juan, Skagit, Snohomish, Thurston, Wahkiakum, Walla Walla, Whatcom, and Yakima.

West Virginia

Counties of Boone, Clay, Fayette, Greenbrier, Kanawha, Lincoln, Logan, McDowell, Mercer, Mingo, Monroe, Nicholas, Pocahontas, Putnam, Raleigh, Summers, Wayne, and Wyoming.

Wisconsin

County of Douglas.

Wyoming

Counties of Albany, Big Horn, Campbell, Carbon, Converse, Fremont, Goshen, Hot Springs, Johnson, Laramie, Natrona, Niobrara, Platte, Sheridan, Sweetwater, Uinta, and Washakie.

Guam

Island of Guam.

Commonwealth of the Northern Mariana Islands

Islands of Rota and Saipan.

Commonwealth of Puerto Rico

Municipalities of Adjuntas, Aguas Buenas, Aibonito, Arroyo, Barranquitas, Cabo Rojo, Caguas, Canovanas, Carolina, Cayey, Cidra, Coamo, Guanica, Guayama, Guayanilla, Guaynabo, Gurabo, Humacao, Juana Diaz, Juncos, Lajas, Las Piedras, Loiza, Maricao, Maunabo, Naguabo, Patillas, Penuelas, Ponce, Rio Grande, Sabana Grande, Salinas, San German, San Juan, San Lorenzo, Santa Isabel, Trujillo Alto, Vieques, Villalba, Yabucoa, and Yauco.

United States Virgin Islands

Islands of Saint Croix, Saint John, and Saint Thomas.